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OFFICE OF CURRENT INTELLIGENCE
DAILY DIGEST OF SIGNIFICANT TRAFFIC

Date: MAR 19 1951

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 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

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SECTION 1 (SOVIET)

"A" USSR. Deputy Foreign Ministers' Conference. Soviet Attitude Toward Foreign Ministers' Conference. Emb Moscow reports its belief that, despite continued Soviet insistence in Paris exploratory talks on certain wording and order of agenda points, the USSR will make the adjustments necessary to obtain a meeting of the foreign ministers. Present Soviet stalling tactics are in anticipation of a Western split and for propaganda exploitation. In the Embassy's opinion the deputies' and ministerial meetings are essential propaganda instruments to the USSR in its attempt to mobilize "popular" opposition to current Western governmental policies which threaten the advancement of Soviet policy objectives. The Embassy feels that it is not now the Soviet advantage nor is it their intention to make concessions sufficiently acceptable to the West for the latter to abandon its current policies in Europe. As the basis for its assumption the Embassy points out: (1) the USSR recognizes that considerable time must elapse before Western military strength amassed in Europe poses an immediate threat of invasion, and (2) the USSR believes it possible to influence popular opinion to the point where the people's attitude will be a better guarantee of protection of Soviet interests than an agreement with the Western Powers. [REDACTED]

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COMMENT: As of 18 March the Soviet press continued to belittle Western concessions and to emphasize the Soviet position that: (1) fulfillment of the Potsdam Declaration on the demilitarization of Germany should occupy first place on the agenda, and (2) the subjects of German demilitarization and four power arms reduction merit separate agenda points.

"B" EASTERN EUROPE. ALBANIA. Alleged Plans for Balkan War Delayed. Plans for the attack on Albania during March or April by the "lackeys" of the US "revealed" early in February by the Free Greek Radio [REDACTED]

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[REDACTED] may be postponed until May or June. According to this mouthpiece of the Cominform, this attack and the one immediately to follow on Bulgaria are initial strikes of the master plan of the American imperialists who "have decided upon the well-known Churchill plan on the attack against the Soviet Union at the soft belly, that is, from the Balkans." [REDACTED]

"A" FINLAND. Early Warning System to be Established. The US AirA and Army A report that the Finnish Defense Forces have placed an order with Helvar Oy, Finland's largest radio manufacturer, for the construction of eleven radar sets. It is understood that six of these sets are consigned to the Navy and five to the Army and Air Force. The Navy sets will be installed at major Finnish ports and the Army and Air Force sets will be placed at various key points within Finland. The radar sets were designed along the lines of the German sets used by Finland during the war, but with modifications, and are considered to be modern equipment in any standard of the Scandinavian countries. The US Air Attaché comments

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25X1 that the Finns are expediting this project in order to preclude any Soviet offer to furnish Finland with Soviet radar. [REDACTED]

COMMENT:

The Army Attache probably has the correct explanation for this report, although it has been reported but not confirmed that there was Soviet pressure on the Finnish Government to build radar stations.

"B"

FINLAND. Communist Party Membership Cards Reissued. At a meeting on 4-5 March of the Central Committee of the Finnish Communist Party, Chairman Aaltonen stated that membership cards had recently been re-issued, and that as a result all undesirable elements had been eliminated from the Party. [REDACTED] COMMENT: This report tends to confirm the rumors that a purge of some type was in process in the Finnish Communist Party following the reorganization of the leadership of the Communist controlled political front, the Finnish Peoples Democratic Union (SKDL). These measures are probably in anticipation of the elections next July for new members to Parliament.

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"A"

POLAND. New Minister of Foreign Affairs Appointed. The Polish press announced 17 March without comment the appointment of Vice-Minister of Foreign Affairs, Stanislaw Skrzyszewski, to succeed Zygmunt Modzelewski as Minister of Foreign Affairs. The press states that Modzelewski's resignation was caused by ill health. [REDACTED]

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COMMENT: Modzelewski un-

doubtedly has resigned for reasons of health. Skrzyszewski, a pre-war Communist, was appointed Vice-Minister of Foreign Affairs last 8 July. During the war years he was in the USSR and was a member of the Communist dominated Committee of Polish Patriots. Following the war, he was Ambassador to Paris, and Minister of Education prior to his appointment as Vice Minister of Foreign Affairs. Skrzyszewski's new appointment may result in a more hostile official attitude toward the West and may also bring about a number of personnel changes of note within the Ministry.

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"B"

RUMANIA. Soviet Tanks in Arad. Large numbers of T-34 tanks are stationed near Arad and since January all bridges and railroads in the area have been heavily guarded. [REDACTED]

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25X1 There are three new airfields for heavy traffic. Rumanian units in Arad include the 37th or 31st ("Lupanov") infantry regiment and artillery, cavalry anti-aircraft, anti-tank and air force units. The Lupanov regiment is described as "ready for combat with good morale, strong discipline, psychologically primed for an attack on Yugoslavia."

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COMMENT:

The presence of many T-34 tanks in the Arad region may be accounted for by the location in that vicinity of a Soviet mechanized division. This Soviet division has been in the area for over a year. The Rumanian 31st Infantry Regiment was believed to be located in Targu Jiu (150 miles southeast of Arad) in the fall of 1950.

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"A" YUGOSLAVIA. Yugoslavia Will to Resist Reportedly Low. [redacted]

[redacted] talk of war and rumors about the concentration of Soviet troops on the Yugoslav border have created great unrest. Families are reportedly preparing to leave Belgrade and persons not fundamentally compromised by association with Tito are doing their utmost to detach themselves from the regime in the belief that the Soviets will not molest the neutral element. The will to resist has also allegedly been weakened by the reasoning of many people that the Soviet system can be no worse than Tito's and that in the event of a Soviet attack the Yugoslav army will be defeated in less time than in 1941. Many feel that their only hope is Western intervention which would either free them from both the Soviet and Tito yoke or provide them an opportunity to escape to Western Europe. It is also claimed that Cominformists have successfully penetrated the army and the government and have recently received instructions to remain passive until war breaks. [redacted]

A US attaché on a field trip in the Vojvodina area on 12 March reports that the population freely expressed to him their dissatisfaction over conditions under the regime and attributed their hardships to poor governmental management. The attaché considers their free speech as evidence of either the relaxation of government controls or growing dissatisfaction in the area. [redacted]

COMMENT: The numerous recent statements by Tito and other Yugoslav leaders regarding the threat of war have undoubtedly caused increased apprehension and unrest among the Yugoslav people. Yugoslavia's economic problems which have been heightened by the 1950 crop failure are probably adding to Yugoslav dissatisfaction with the regime. [redacted]

[redacted] the report of the US attaché is the first evidence [redacted] which tends to support this opinion. US officials, food observers, and correspondents, who have traveled extensively in Yugoslavia in recent weeks, have otherwise noted no evidence that the Yugoslav will to resist a Soviet attack has seriously declined. If these reports reflect the true state of Yugoslav morale, corroborating reports from US officials should be shortly forthcoming.

"C" Yugoslav-Greek Relations. In the past weeks Yugoslav-Greek trade negotiations began in Belgrade for the purpose of concluding a commercial agreement between the two countries; a civil air agreement was signed establishing an air service schedule of two flights weekly between Belgrade and Athens, a second group of Greek children (numbering 54) were repatriated under Red Cross auspices. [redacted]

COMMENT: These developments in the past weeks are indications of the rapidity with which Greek-Yugoslav relations are at last being normalized.

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SECTION 2 (EASTERN)

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"B" INDIA. Armed Forces Display Interest in Bay of Bengal and Arabian Sea Bases.
The US Army Attache, New Delhi, has learned [redacted]

25X1 [redacted] the Indian Army is planning to send a small force of engineers to Car Nicobar Island (09-10N, 92-40E) to repair an airfield and to maintain it in readiness for use in the event of a threat of aggression through Burma. [redacted]

25X1 [redacted] the Indian Navy is establishing a small naval base at Port Blair (11-41N, 92-43E) in the Andaman Islands and is investigating Andaman airfields. [redacted] on 20 February, Androth Island (10-45N, 73-40E) in the Laccadive group was surveyed for possible use as a small Indian Air Force base. The Indians may take over the Nicobar and Andaman Islands bases from British Air Force personnel who now maintain them on a caretaker basis. [redacted]

25X1 [redacted] COMMENT: This is the first intimation that India is seriously considering the possibility of having to defend itself against foreign aggression. It lends some credence to earlier rumors that India was discussing mutual defense pacts which would include Burma. If the above investigations are not being conducted solely on the initiative of the armed forces, they suggest that there has been a significant change of thinking on the part of Prime Minister Nehru and his Government regarding Chinese aggressiveness.

"C" INDONESIA. Oil workers threaten strike. The Oil Workers Union (PERBUM) passed a resolution on 13 March demanding that the Government withdraw its strike ban and nullify the Round Table Conference agreements (regulating relations between Indonesia and the Netherlands). The resolution further stated that unless the Government reaches a settlement with the Batavia Oil Company by 25 March, the union's action committee will issue a general strike order. Union members agreed that in the struggle to achieve their demands, they will consult SOBSI (a labor federation) and abide by its instructions. [redacted] COMMENT: Although the Government's strike ban achieved temporary labor peace throughout Indonesia, the pending oil strike may signal a new wave of unrest. SOBSI, to which PERBUM is affiliated, is the largest labor federation in Indonesia and is Communist-led. Demands for withdrawal of the strike ban and nullification of the RTC agreements have been voiced frequently by both SOBSI and the Indonesian Communist Party.

"C" PHILIPPINES. Improved Prospects for Reform Legislation. If current reports are true, President Quirino's Liberal Party has agreed to approve electoral reform legislation which insurgent Senate members have been demanding as a prerequisite for their support of action on pending reform measures in line with ECA objectives. [redacted] COMMENT: Quirino forces had opposed abolition of the "bloc voting" system and other measures

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25X1 demanded by rebel Senators, fearing that such legislation would weaken administration control of the election machinery. Administration leaders are apparently beginning to heed ECA warnings that US funds now available for emergency aid may soon revert to the Treasury and longer range US commitments may not be included in the FY 52 US budget unless recommended legislation is enacted by the Philippine Congress.

"C" AUSTRALIA. Communist-led Unions Ease Strike Tactics. Since the Government's declaration that no quarter will be given in Communist-led labor disturbances, Australian dockers have lifted their ban on overtime and the miners have agreed to lift one-day work stoppages in New South Wales. These decisions have also been influenced by the threat of the moderate Australian Council of Trade Unions that labor solidarity would be broken unless the strikers returned to legal arbitration channels to settle their disputes. This tactical withdrawal will help to protect union interests in the coming election since labor peace will generally benefit the Labor Party. The truce is only temporary. [REDACTED]

COMMENT: Australian Communists apparently fear the prospects of isolation in which they would be unable to combine their objectives with legitimate union grievances.

"C" NEW ZEALAND. Improved Prospects for Waterfront Strike Settlement. Prospects for settlement of the disruptive waterfront dispute brightened as miners and refrigeration workers, who have been striking in sympathy with the dockers, accepted preliminary Government terms including adherence to the arbitration system. The Government continues to have the support of the public and the tacit approval of most of the trade union movement. The watersiders are becoming increasingly isolated. [REDACTED]

"C" KOREA. ECA Counterpart Fund. ECA financial authorities in Korea have forwarded their views concerning the disposition of some 100 billion South Korean Won deposited in the ECA Counterpart Fund when CINCUNC assumes

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responsibility for Korean economic rehabilitation. This fund represents a continual temptation to the ROK government for use in extra-budgetary (and highly inflationary) expenditure. ECA/Korea recommends that the fund be used to reduce various ROK overdrafts with the Bank of Korea.

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[REDACTED] COMMENT: The Counterpart fund, into which the ROK government pays local currency to cover cost of imported materials and goods, has been a major control measure in fighting ruinous inflation in Korea.

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[REDACTED]

"C" Socialist and Labor Call for Communist Non-Aggression Pledge. At a joint meeting on 16 March, the Japanese Socialist Party and the General Council of Japanese Labor Unions decided to ask the USSR and Communist China to pledge publicly that they will not conduct aggression against Japan. [REDACTED] COMMENT: This unrealistic proposal somewhat modifies the original one made, without party sanction, by left-wing Socialist leader Suzuki, calling for non-aggression pacts. However, it does indicate firm leftist control, for the time being, of the Socialist Party and the leading anti-Communist labor federation.

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SECTION 3 (WESTERN)

"B" WESTERN EUROPE. Initialing of Schuman Plan Only First Hurdle. The draft Schuman Plan Treaty was initialed today by the technical delegations of the six participating countries, but a number of issues remain to be settled before it is formally signed by the Foreign Ministers, who Schuman believes cannot be convened earlier than 5 April.

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[redacted] Kurt Schumacher, German Socialist (SPD) leader, intends to launch a determined campaign against ratification by the Bonn Parliament of the coal-steel plans, and has stated "emphatically" that his party "would never" approve it in its present form. He charges that it is an "unconcealed French attempt to gain control of German industry" and involves a Franco-American conspiracy against German workers. Liaison Bonn believes that Schumacher's purpose may be to prevent SPD loss of worker support. [redacted] COMMENT: The initialing of the treaty will have a good psychological effect in that it definitely links the Federal Republic with the West. One fundamental issue which still must be resolved involves the political and economic interests that will control the organs of the pool. Schumacher's opposition to the Schuman Plan has been evident almost from the start, but of itself is not sufficient to cause failure of ratification in the Bonn Parliament.

"B" GERMANY. East German CDU Directs Unity Appeal to West German People. The east German CDU Executive on 13 March addressed an open letter of appeal to the west German people to join in all-German discussions against remilitarization and on a peace treaty in 1951. In a speech to the CDU executive, Otto Nuschke, chief of the East CDU, denounced the west German Bundestag as "not the voice of Germany but the voice of America" and reiterated the GDR unity thesis that an all-German government must be established by a constituent council with equal representation from the GDR and the Federal Republic prior to the holding of free general elections. [redacted] COMMENT: Although nominally an independent political party, the east German CDU is simply another voice of the Communist SED, and is used by the SED in attempts to penetrate church elements. The current appeal is particularly directed at west German church elements.

"B" Adenauer accuses UK, France of delaying German Arms Plans. In an off-the-record discussion, Chancellor Adenauer blamed the British as well as the French for postponement of a German defense contribution. He stated that only by continued pressure could the US hope to integrate Germany into Western defense. Declaring that the UK and France were susceptible to Soviet blandishments, Adenauer claimed that a joint three-power declaration of the intention to grant

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Germany limited sovereignty (a prerequisite to a German contribution) had been ready for issuance when it was turned down by the UK High Commissioner. Thereupon, according to Adenauer, German-Allied defense negotiations shifted to matters of minor importance. [REDACTED]

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[REDACTED] COMMENT: Adenauer hopes to persuade the US to pressure the British and French into permitting the prompt integration of Germany into Western defense.

"B" GERMANY. Differences within Coalition on Co-Determination Bill. The west German Bundestag vote on 14 March postponing action on the controversial co-determination (labor participation in management of the coal-steel industries) bill resulted, according to Bonn sources, largely from Chancellor Adenauer's failure to win coalition support for the bill. A majority of Adenauer's own Christian Democratic (CDU) faction apparently is still seeking a compromise formula which would be acceptable to the other two coalition parties, the Free Democrats and the German Party. All three parties have been under pressure from industrialist circles to modify the bill, to an extent which would make it unacceptable to both the trade unions and the opposition Social Democrats. Adenauer may, according to US officials in Bonn, be able to swing his own CDU faction on the strength of his prestige and indispensability as coalition leader. [REDACTED] COMMENT: Despite Adenauer's "indispensability", he faces a severe test in future weeks in attempting to win coalition support not only for this issue but for ratification of the Schuman Plan.

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"B" ITALY. Italian Government Emphasizes Dangerous Impact of Rearmament on Economic and Social Goals. Both Premier de Gasperi and Foreign Minister Sforza, during an address to the NATO Deputies in London, stressed the importance to Italy of preserving social and economic reforms even under a maximum defense effort. Sforza also asked for an effective public information program to strengthen popular conviction in support of NATO objectives. Meanwhile, the Italians have restated their intentions to meet Medium Term Defense Program (MTDP) objectives by 1952 and offered once again their idle industrial capacity for NATO production. It appears to US observers, however, that the military units offered by Italy by June 1952 will not be fully manned, trained, and equipped on that date. [REDACTED]

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[REDACTED] COMMENT: Leading Government officials are aware that sacrifice of even the small social and economic gains effected in Italy during the post-war period to a rearmament program would increase neutralist sentiment and aid Communist propaganda. Although the Government's concern over the standard of living is genuine, certain Christian Democrats will use it as a temporizing device to avoid taking economic measures which would adversely affect the privileged economic classes.

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"C" ITALY. Italian Communist Cells in US Merchant Marine. The Office of Naval Intelligence has received information that Communist cells controlled from Italy exist in a number of US merchant vessels. There have been other reports that a British Communist Party publication has been distributed amongst Italian port workers to teach them how to sabotage seafaring equipment. [REDACTED]

25X1 [REDACTED] COMMENT: Sabotage of western vessels is not solely directed from Italy but, like other international communist activities, is controlled from Moscow. Despite the Italian Communists' inability to impede maritime traffic by strikes against MDAP, their considerable strength among port workers gives them a dangerous potential for sabotage.

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"C" NETHERLANDS. Dutch Austerity Program. In order to implement the decision nearly to double the defense effort, Premier Drees has announced his four-party Government's program of higher taxes, price rises, curtailment of investment, and a resultant cut in the standard of living. Preliminary reports indicate that the Dutch did not find the news as disheartening as expected. The program is expected to obtain overwhelming support in the Second Chamber. [REDACTED]

25X1 [REDACTED] COMMENT: The coalition Government, which has more than a two-thirds majority in Parliament, probably will have little difficulty in carrying out the measures necessary for defense. The post-war good relations between employers and non-Communist labor can be expected to continue, and any sporadic strikes, although Communist-inspired, are not likely seriously to impede the defense effort.

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"B" SWITZERLAND. Swiss Recognize West German Republic. The Swiss Federal Council voted on March 16 to establish diplomatic relations with the German Federal Republic. [REDACTED] COMMENT: Recognition of the west German Republic is a reversal of Switzerland's previous policy of attempting to avoid formal diplomatic recognition of either of the two German governments. However, the Swiss may consider that their recognition of Communist China, in the Soviet bloc, balances their recognition of the west Germans, in the Western bloc, and that therefore their neutrality is not compromised.

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"B" UNITED KINGDOM. Control of Hong Kong Exports Extended. The Hong Kong Government has added 19 items to the list of goods prohibited for export without license. The additions include rubber tires and tubes, aluminum, copper, tin plate and tin cans. The order was explained as necessitated by an acute shortage of these materials in the British colony. [REDACTED] COMMENT: The licensing requirement will prevent the goods from legally reaching Communist China from Hong Kong. As the official explanation suggests, the move is at least partly an effort to remove handicaps placed upon local Hong Kong industry both by restrictions laid by the US on exports to

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Hong Kong for lack of assurance they will not get into China, and also by the inflationary effect of Chinese purchases. With regard to tires, however, the Hong Kong Government acted mainly on strategic considerations, since this item is not in short supply there. Export from Hong Kong to China of other items of importance, such as most iron and steel products, remains permissible.

"C" UNITED KINGDOM. Serious Coal Crisis Appears Averted. The steady increase in the weekly coal output during the past two months and the effective consumption limitations, which have reduced the rate of decline in coal stocks, have now caused British officials to believe that a critical coal shortage will be avoided this year. They also hope that, given favorable weather conditions, some of the curtailed railroad services will be restored by April or May and that Britain may be able to export a small amount of coal. [REDACTED]

25X1 [REDACTED] COMMENT: The successful effort to increase output may be due in part to the normal spurt of energy from the labor force following the holiday period and to the psychological effect of having to import coal from the US. The long-term problem of maintaining or increasing the present level of production nevertheless remains serious.

"C" Anglo-Italian Talks Considered a Success. The British are reported as generally agreed that the recent visit of the Italian Prime Minister and Foreign Minister to London was markedly successful in accomplishing its main purpose of improving Anglo-Italian relations. [REDACTED]

25X1 [REDACTED] COMMENT: British satisfaction with the Anglo-Italian discussions derives from the conviction that the creation of an atmosphere of good will is a prerequisite to progress in any future substantive discussions. [REDACTED]

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